

Message Text

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70

ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 OMB-01 RSR-01 /170 W

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R 291425Z AUG 73

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 6691

INFO AMEMBASSY COPENHAGEN

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY OSLO

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E.O.: 11652: N/A

TAGS: ECON EFIN FI

SUBJ: FINLAND IMPOSES TEMPORARY IMPORT CONTROLS, EFFECTIVE
AUGUST 29;

REF: HELSINKI -A180

BEGIN UNCLASSIFIED. SUMMARY. TO PREVENT SPECULATIVE BUYING OF
IMPORT GOODS AND TO SUPPORT ITS BALANCE OF PAYMENTS, THE GOVERN-
MENT ANNOUNCED ON AUGUST 28 THAT EFFECTIVE AUGUST 29 IMPORTS OF
CERTAIN CATEGORIES OF CONSUMER PRODUCTS AND AUTOMOBILES WILL BE-
COME SUBJECT TO IMPORT LICENSING CONTROLS. ALSO, ON AUGUST 27,
THE BANK OF FINLAND ANNOUNCED MEASURES TO TIGHTEN COMMERCIAL BANK
BORROWINGS AND THE CONCLUSION OF FOREIGN STAND-BY CREDITS TOTAL-
ING DOLS. 300 MILLION AND PLANS TO NEGOTIATE ANOTHER DOLS. 100
MILLION OF SIMILAR CREDITS. THESE STEPS WERE PROMPTED BASICALLY
BECAUSE OF THE CONTINUING DEFICITS IN BALANCE OF TRADE AND PAY-
MENTS AND TO STRENGTHEN FINLAND'S FOREIGN EXCHANGE RESERVES. IM-
PORT CONTROLS ARE INTENDED TO BE TEMPORARY AND THE FOREIGN TRADE
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MINISTER HAS ANNOUNCED THAT THEY WILL BE ABOLISHED AS SOON AS

CONDITIONS PERMITTED AND FURTHER THAT THE MEASURE IS NOT INTENDED TO REDUCE IMPORTS. END SUMMARY.

1. IN A MOVE WHICH CAME AS A SURPRISE TO BOTH BANKING AND TRADE CIRCLES IN FINLAND, THE FINNISH GOVERNMENT ANNOUNCED THAT EFFECTIVE AUGUST 29 IMPORTS OF CERTAIN CATEGORIES OF CONSUMER GOODS INCLUDING AUTOMOBILES, MOTORCYCLES, BOATS AND MOTORS, RADIO AND TV SETS, STEREO EQUIPMENT, RECORD PLAYERS, REFRIGERATORS AND ICE BOXES FOR HOME USE, WASHING MACHINES, SEWING MACHINES, AND RELATED HOUSEHOLD GOODS WILL REQUIRE IMPORT LICENSES. FULL LIST WILL BE ANNOUNCED SHORTLY; THE TOTAL VALUE IS ESTIMATED AT FIVE PERCENT OF TOTAL IMPORTS BY VALUE. THIS MEASURE WAS TAKEN TO PREVENT SPECULATIVE BUYING AND STOCKPILING IN THE FACE OF RUMORS THAT GOVERNMENT PLANNED TO IMPOSE A 25 PERCENT IMPORT CHARGE ON SUCH GOODS. MOREOVER, THE STEP WAS INTENDED TO SLOW DOWN THE RAPID DETERIORATION IN TRADE BALANCE WHICH REDUCED FOREIGN EXCHANGE HOLDINGS BY FMK 734 MILLION (-24.3 PERCENT) DURING FIRST SIX MONTHS OF 1973.

2. IN A STEP ALSO TO BOLSTER FINLAND'S FOREIGN EXCHANGE POSITION AND IN ANTICIPATION THAT FINLAND COULD FIND ITSELF IN BALANCE OF PAYMENTS DIFFICULTIES SHOULD THE INTERNATIONAL MONETARY UNCERTAINTIES CONTINUE, THE BANK OF FINLAND ANNOUNCED ON AUGUST 27 THE CONCLUSION OF TWO STAND-BY CREDITS TOTALING DOLS. 300 MILLION -- THREE-YEAR DOLS 100 MILLION CREDIT WITH BANK OF AMERICA AND MORGAN GUARANTY TRUST AND A TEN-YEAR DOLS. 200 MILLION CREDIT SIGNED WITH A CONSORTIUM LED BY FIRST BOSTON (EUROPE). THE PARLIAMENTARY BANK SUPERVISORS HAVE GRANTED PERMISSION FOR THE BANK TO NEGOTIATE ANOTHER CREDIT ALONG THE SAME LINES TOTALING DOLS. 100 MILLION WITH PARTIES YET TO BE DECIDED. IN MAKING THIS ANNOUNCEMENT, THE BANK OF FINLAND SAID THAT THESE STAND-BY CREDIT ARRANGEMENTS ARE TO SECURE FINLAND'S EXTERNAL LIQUIDITY POSITION AND TO STRENGTHEN THE COUNTRY'S STANDING IN THE INTERNATIONAL CREDIT MARKETS. IN EXPLAINING THE DECLINE IN FOREIGN EXCHANGE HOLDINGS, THE BANK SAID THIS WAS CAUSED BY THE "RATHER INSIGNIFICANT INFLOW OF FOREIGN CAPITAL DURING THE CURRENT YEAR." THIS IN TURN IS EXPLAINED BY THE UNSTABLE CURRENCY SITUATION. END UNCLASSIFIED.

3. BEGIN LIMITED OFFICIAL USE. EMBASSY COMMENTS. THE IMPORT LIMITED OFFICIAL USE

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LICENSING CONTROL MEASURE WILL FORESTALL SPECULATIVE IMPORTS AND AT SAME TIME SHOULD NOT SERIOUSLY AFFECT IMPORTS AT CURRENT LEVELS. ON THE STAND-BY CREDITS, THE BANK OF FINLAND DOES NOT INTEND TO USE IT IMMEDIATELY SINCE EXCHANGE RESERVES ARE STILL ADEQUATE TO MEET TWO-MONTHS OF IMPORTS. IF THE CREDIT IS USED THE INTEREST RATE IS TIED TO THE LOAN RATE ON THE EURO-DOLLAR MARKET PLUS A COMMISSION FOR SERVICES. THE GOVERNOR OF THE BANK OF FINLAND MAUNO KOIVISTO HAS INDICATED TO AN EMBASSY OFFICER THAT THE

LOAN WAS INTENDED PRIMARILY TO ELIMINATE, IF POSSIBLE, RUMORS IN CERTAIN QUARTERS OF THE POSSIBILITY OF A DEVALUATION OF THE FINNMARK. SIMILARLY, FOR THE IMPORT CONTROL MEASURES, THE BANK OF FINLAND DOES NOT TODAY FACE AN EMERGENCY AND IT IS HOPED THAT THE MEASURE WILL HAVE A PSYCHOLOGICALLY SALUTARY EFFECT ON POTENTIAL SPECULATIVE IMPORTS. OTHER BANK OF FINLAND SOURCES HAVE STATED TO AN EMBASSY OFFICER THAT THE CYCLICAL PHASE OF THE ECONOMY IS SUCH THAT THE ADVERSE BALANCE OF TRADE SITUATION SHOULD BE CORRECTED IN THE COMING MONTHS. IN THIS REGARD, FINLAND'S TRADE DEFICIT DURING THE SEVEN MONTHS OF 1973 TOTALED FMK 1,322 MILLION AS COMPARED WITH FMK 587 MILLION DURING THE COMPARABLE 1972 PERIOD: MOREOVER, EXPORTS BY VALUE ROSE BY ABOUT 13 PERCENT BUT IMPORTS ROSE MORE BY 22 PERCENT.

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